

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3805-02
Bill No.: Perfected HB 1904
Subject: Insurance - Life; Insurance - Medical.
Type: Revised
Date: March 24, 2010

Bill Summary: Changes the requirements under the Missouri Life and Health Insurance Guaranty Association Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
	#\$0	#\$0	#\$0
Total Estimated Net Effect on <u>Other</u> State Funds	#\$0	#\$0	#\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
#Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission and Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state this legislation will result in a zero to unknown loss of premium tax revenue. Should an insurance company insolvency occur, the Missouri Life and Health Insurance Guaranty Association will pay out more funds due to the increased limits of coverage under this proposal. Insurance companies, who are members of the guaranty association, will pay increased assessments. Insurance companies are allowed to take a credit against premium taxes for these assessments (376.745 RSMo). The amount of such increased assessments and the resulting tax credits are unknown, but estimated to be over \$100,000.

Premium tax revenue is split 50/50 between General Revenue and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

After discussing in greater detail with the executive director of the Life and Health Guaranty Association, the increase in the annuity limit in the bill is to bring the guaranty association system in line with the limits of the FDIC. At this point, the Association is not aware of any short term (FY 11, FY 12, and FY 13) event that would bring these higher limits into play. This situation would be the same for the increase in the major medical limit and the long-term care limit.

Since, the association does not see a fiscal impact in FY 11, FY 12, or FY 13 from raising the guaranty association limits, the DIFP assumes the proposal will have no fiscal impact on their organization.

Oversight notes the “no impact” statement from the DIFP also indicates no impact to the County Foreign and County Stock Funds. Since there is now no potential loss for these funds, there will also be no impact to schools through reduced premium tax distributions.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>#\$0</u>	<u>#\$0</u>	<u>#\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>#\$0</u>	<u>#\$0</u>	<u>#\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

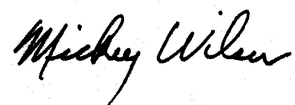
FISCAL DESCRIPTION

This proposal has no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration



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